

MAYFIELD INDEPENDENT SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2013

MAYFIELD INDEPENDENT SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, Kentucky

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Kentucky Public School District's Independent Auditor's Contract, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mayfield Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 4, 2013, on my consideration of the Mayfield Independent School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mayfield Independent School District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Kim Glavin". The signature is written in a cursive, flowing style.

Benton, Kentucky
November 4, 2013

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

As management of the Mayfield Independent School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning general fund balance for the District was \$2,610,845 and the ending balance was \$3,032,714.
- The District had a combined fund balance for all governmental funds on July 1, 2011 of \$2.434 million. The balance increased to \$2.616 million by June 30, 2012 and to \$3.034 million by June 30, 2013. The increase was primarily due to decreases in expenditures, particularly for capital outlay. The net assets of the proprietary fund increased from \$612,000 at July 1, 2011 to \$707,000 by June 30, 2012 to \$849,000 by June 30, 2013. The increase was primarily due to an increase in federal grant funds received.
- The Mayfield High School roof project was completed at a cost of \$74,799.
- The Central Office was renovated, adding seating and storage space at a cost of \$13,200. The area vocational school services were utilized in this project.
- The Mayfield High School softball field lights were purchased and installed at a cost of \$91,321.
- The Mayfield High School track was resurfaced at a cost of \$33,000.
- Security cameras were purchased and installed at Mayfield Middle School and Mayfield Elementary School at a cost of \$129,000. This was a joint project between the school district and the City of Mayfield.
- Improvements were made to the Mayfield War Memorial stadium in the amount of \$101,000.
- Excluding interfund transfers, the General Fund had \$13,041,951 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Revenues increased \$528,000 from the prior year, primarily due to an increase in state funding. Excluding interfund transfers, there was \$12,904,623 in General Fund expenditures. Expenditures increased \$353,000 from the prior year, primarily within the instruction function.
- There were no significant changes in any of the individual funds affecting the availability of fund resources for future use.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operations. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 11 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 35 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$10,470,452 as of June 30, 2013. The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

	Net Position for the period ending	
	June 30, 2013	June 30, 2012
Current Assets	\$ 3,756,973	\$ 3,562,490
Noncurrent Assets	14,070,800	14,259,539
Other Assets	<u>73,002</u>	<u>78,189</u>
Total Assets	<u>\$ 17,900,775</u>	<u>\$ 17,900,218</u>
Current Liabilities	\$ 913,886	\$ 1,195,339
Noncurrent Liabilities	<u>6,516,437</u>	<u>7,094,877</u>
Total Liabilities	<u>\$ 7,430,323</u>	<u>\$ 8,290,216</u>
Net investment in capital assets	\$ 7,232,160	\$ 6,840,319
Restricted	530,299	516,594
Unrestricted	<u>2,707,993</u>	<u>2,253,089</u>
Total Net Position	<u>\$ 10,470,452</u>	<u>\$ 9,610,002</u>

Comments on Budget Comparisons

- There were no significant variations between the original and final budget amounts.
- The General Fund's total revenues for the fiscal year ended June 30, 2013, net of interfund transfers, were \$13,041,951.
- General fund budget compared to actual revenue varied slightly from line item to line item with the actual revenues (excluding on behalf revenues, which are not budgeted) being \$1,135,688 more than budget. The categories with the largest difference from budgeted amounts were the SEEK program (\$497,891 more than budget), taxes (\$248,710 more than budget), local income from services (\$192,605 more than budget) and indirect federal funds (\$179,106 more than budget).
- The total cost of all General Fund programs and services, net of debt service, was \$12,904,623.
- General fund budget compared to actual expenditures varied slightly from line item to line item with the actual expenditures (excluding on behalf expenditures, which are not budgeted, and the contingency) being \$774,314 less than budget.
- One major difference in the budgeted revenues and expenditures when compared to actual amounts were the recording of payments made by the state of on behalf payments, such as matching teacher retirement and health insurance. These payments are not required to be budgeted; however, they are required to be recorded in order to comply with generally accepted accounting principles. The total payments made in the current year by the state on behalf of the district recorded in the general fund were \$2,632,218.

The following table presents a summary of governmental and business-type revenue and expense for the fiscal year ended June 30, 2013 as compared to the fiscal year ended June 30, 2012.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

	June 30, 2013	June 30, 2012
Program Revenues:		
Charges for services – food services	\$ 103,576	\$ 103,803
Charges for services – governmental	103,381	240,148
Operating grants – food services	1,174,452	1,062,299
Operating grants – governmental	5,208,437	4,787,574
Capital grants – governmental	<u>1,070,587</u>	<u>786,298</u>
Total Program Revenues	<u>7,660,433</u>	<u>6,980,122</u>
General Revenues:		
Taxes	3,111,280	3,299,130
Earnings on investments	31,749	43,164
State and formula grants	7,106,936	6,635,428
Gain on disposal of fixed assets	846	0
Miscellaneous	<u>31,862</u>	<u>27,162</u>
Total General Revenues	<u>10,282,673</u>	<u>10,004,884</u>
Expenses:		
Instruction	10,231,186	9,653,318
Student support services	420,720	392,335
Instructional support	846,357	714,489
District administration	703,203	758,131
School administration	852,399	876,388
Business support	197,631	215,399
Plant operations	1,540,087	1,643,219
Student transportation	737,917	692,868
Community services	194,961	188,258
Interest on long term debt	206,059	256,003
Loss on disposal of fixed assets	0	415
Food service operation	1,140,123	1,076,347
Other Debt service	<u>12,013</u>	<u>12,912</u>
Total Expenses	<u>17,082,656</u>	<u>16,480,082</u>
Change in Net Position	860,450	504,924
Beginning Net Position	<u>9,610,002</u>	<u>9,105,078</u>
Ending Net Position	<u>\$10,470,452</u>	<u>\$ 9,610,002</u>

General Fund Revenue

The majority of revenue was derived from state funding (\$9,826,136) making up 75% of total revenue and \$2,788,710 from local taxes (21%).

General Fund Expenditures

The largest category of expenditures was for instruction (60%), followed by plant operations and maintenance (12%), school administration support services (7%), student transportation (6%), instructional staff support services (6%), district administration support services (5%), student support services (3%), and business support services (1%).

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2013, the District had \$14,070,800 invested in land, buildings, and equipment. Of that amount, \$13,679,090 is in governmental activities.

See Note E for a breakdown of additions by class on page 29.

Debt Administration

The District had \$7,341,952 in bonds and capital leases payable outstanding on June 30, 2013. A total of \$652,062 is due within one year.

See Note F on pages 30-31 for a detailed list of bonds payable.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$876,202 in contingency (7%). The beginning general fund balance for beginning the fiscal year was \$2,610,845.

Mayfield Independent Public Schools received federal grants in the amount of \$1,517,780 and are awarded on an October 1 to September 30 period. They also received state grants in the amount of \$726,342 that are awarded on a July 1 through June 30 fiscal year period.

Questions regarding this report should be directed to the Superintendent Lonnie Burgett or by mail at 914 East College Street, Mayfield, KY 42066.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 2,847,926	\$ 348,857	\$ 3,196,783
Accounts receivable:			
Taxes - current	154,201	0	154,201
Accounts receivable	22,364	0	22,364
Intergovernmental - state	351	0	351
Intergovernmental - indirect federal	182,087	90,554	272,641
Inventory	0	33,182	33,182
Prepaid expenses	75,922	0	75,922
Due from school activity funds	917	612	1,529
Total current assets	<u>3,283,768</u>	<u>473,205</u>	<u>3,756,973</u>
Noncurrent Assets:			
Capital assets	24,703,288	745,552	25,448,840
Less: Accumulated depreciation	<u>(11,024,198)</u>	<u>(353,842)</u>	<u>(11,378,040)</u>
Total noncurrent assets	<u>13,679,090</u>	<u>391,710</u>	<u>14,070,800</u>
Other Assets:			
Unamortized bond issue costs	<u>73,002</u>	<u>0</u>	<u>73,002</u>
Total other assets	<u>73,002</u>	<u>0</u>	<u>73,002</u>
TOTAL ASSETS	<u><u>\$ 17,035,860</u></u>	<u><u>\$ 864,915</u></u>	<u><u>\$ 17,900,775</u></u>
LIABILITIES :			
Current Liabilities:			
Accounts payable	\$ 91,089	\$ 3,551	\$ 94,640
Deferred revenue	124,527	0	124,527
Current portion of bond obligations	600,000	0	600,000
Less: Current portion of unamortized bond discount	(6,825)	0	(6,825)
Less: Current portion of deferred loss on early debt retirement	(37,951)	0	(37,951)
Current portion of KISTA notes payable	52,062	0	52,062
Current portion of accrued sick leave	33,857	1,377	35,234
Interest payable	<u>52,199</u>	<u>0</u>	<u>52,199</u>
Total current liabilities	<u>908,958</u>	<u>4,928</u>	<u>913,886</u>
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	6,560,000	0	6,560,000
Less: Noncurrent portion of unamortized bond discount	(80,276)	0	(80,276)
Less: Noncurrent portion of deferred loss on early debt retirement	(378,260)	0	(378,260)
Noncurrent portion of KISTA notes payable	129,890	0	129,890
Noncurrent portion of accrued sick leave	<u>273,939</u>	<u>11,144</u>	<u>285,083</u>
Total noncurrent liabilities	<u>6,505,293</u>	<u>11,144</u>	<u>6,516,437</u>
TOTAL LIABILITIES	<u><u>\$ 7,414,251</u></u>	<u><u>\$ 16,072</u></u>	<u><u>\$ 7,430,323</u></u>
NET POSITION:			
Net investment in capital assets	\$ 6,840,450	\$ 391,710	\$ 7,232,160
Restricted for:			
Debt service	1,581	0	1,581
SBDM	71,585		71,585
Food service	0	457,133	457,133
Unrestricted	<u>2,707,993</u>	<u>0</u>	<u>2,707,993</u>
TOTAL NET POSITION	<u><u>\$ 9,621,609</u></u>	<u><u>\$ 848,843</u></u>	<u><u>\$ 10,470,452</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$ 10,231,186	\$ 103,381	\$ 4,048,419	\$ 1,070,587	\$ (5,008,799)	\$ 0	\$ (5,008,799)
Support Services:							
Student	420,720	0	94,924	0	(325,796)	0	(325,796)
Instructional Staff	846,357	0	238,536	0	(607,821)	0	(607,821)
District Administration	703,203	0	74,141	0	(629,062)	0	(629,062)
School Administration	852,399	0	203,004	0	(649,395)	0	(649,395)
Business	197,631	0	77,294	0	(120,337)	0	(120,337)
Plant operations and maintenance	1,540,087	0	148,640	0	(1,391,447)	0	(1,391,447)
Student transportation	737,917	0	124,339	0	(613,578)	0	(613,578)
Food service	695	0	695	0	0	0	0
Community service activities	194,961	0	193,644	0	(1,317)	0	(1,317)
Interest on long-term debt	206,059	0	4,801	0	(201,258)	0	(201,258)
Other debt service	12,013	0	0	0	(12,013)	0	(12,013)
Total governmental activities	15,943,228	103,381	5,208,437	1,070,587	(9,560,823)	0	(9,560,823)
Business-Type Activities:							
Food service	1,139,428	103,576	1,174,452	0	0	138,600	138,600
Total business-type activities	1,139,428	103,576	1,174,452	0	0	138,600	138,600
Total primary government	\$ 17,082,656	\$ 206,957	\$ 6,382,889	\$ 1,070,587	(9,560,823)	138,600	(9,422,223)
General Revenues:							
Taxes:							
Property					2,072,500	0	2,072,500
Motor Vehicle					269,060	0	269,060
Utilities					661,798	0	661,798
In Lieu of					107,922	0	107,922
Earnings on Investments					28,372	3,377	31,749
State and formula grants					7,106,936	0	7,106,936
Gain on disposal of fixed assets					846	0	846
Miscellaneous					31,862	0	31,862
Change in net position					718,473	141,977	860,450
Net position at July 1, 2012					8,903,136	706,866	9,610,002
Net position at June 30, 2013					\$ 9,621,609	\$ 848,843	\$ 10,470,452

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES:				
Cash and cash equivalents	\$ 2,846,345	\$ 0	\$ 1,581	\$ 2,847,926
Accounts receivable:				
Taxes - current	154,201	0	0	154,201
Accounts receivable	22,364	0	0	22,364
Intergovernmental - state	0	351	0	351
Intergovernmental - indirect federal	6,861	175,226	0	182,087
Due from other funds	47,574	0	0	47,574
Due from school activity funds	917	0	0	917
Prepaid expenses	75,922	0	0	75,922
TOTAL ASSETS AND RESOURCES	<u>\$ 3,154,184</u>	<u>\$ 175,577</u>	<u>\$ 1,581</u>	<u>\$ 3,331,342</u>
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ 87,613	\$ 3,476	\$ 0	\$ 91,089
Due to other funds	0	47,574	0	47,574
Deferred revenue	0	124,527	0	124,527
Current portion of accrued sick leave	33,857	0	0	33,857
TOTAL LIABILITIES	<u>121,470</u>	<u>175,577</u>	<u>0</u>	<u>297,047</u>
FUND BALANCES:				
Nonspendable:				
Prepays	75,922	0	0	75,922
Restricted:				
Debt service	0	0	1,581	1,581
Committed:				
Sick leave	273,939	0	0	273,939
SBDM carryover	71,585	0	0	71,585
Unassigned	2,611,268	0	0	2,611,268
TOTAL FUND BALANCES	<u>3,032,714</u>	<u>0</u>	<u>1,581</u>	<u>3,034,295</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,154,184</u>	<u>\$ 175,577</u>	<u>\$ 1,581</u>	<u>\$ 3,331,342</u>

See independent auditor's report and accompanying notes to financial statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2013

Total fund balance per fund financial statements	\$3,034,295
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost	24,703,288	
Accumulated depreciation	<u>(11,024,198)</u>	13,679,090

Deferred charges including debt issue costs are amortized in the governmental activities, but were recognized in full in the governmental funds.	73,002
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Certain liabilities including interest payable are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.	(52,199)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bond and lease obligations	(6,656,688)	
KISTA notes payable	(181,952)	
Accrued sick leave payable	<u>(273,939)</u>	<u>(7,112,579)</u>

Net position for governmental activities	<u><u>\$ 9,621,609</u></u>
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See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 1,749,930	\$ 0	\$ 322,570	\$ 2,072,500
Motor Vehicle	269,060	0	0	269,060
Utilities	661,798	0	0	661,798
In Lieu of	107,922	0	0	107,922
Earnings on Investments	28,346	0	26	28,372
Other local revenues	192,605	83,622	0	276,227
Intergovernmental - State	9,826,136	726,342	892,332	11,444,810
Intergovernmental - indirect federal	204,106	1,517,780	0	1,721,886
TOTAL REVENUES	13,039,903	2,327,744	1,214,928	16,582,575
EXPENDITURES:				
Current:				
Instruction	7,714,676	2,044,809	0	9,759,485
Support Services:				
Student	410,862	0	0	410,862
Instructional Staff	712,523	110,423	0	822,946
District Administration	699,778	0	0	699,778
School Administration	847,446	0	0	847,446
Business	172,932	0	0	172,932
Plant operations and maintenance	1,605,498	0	0	1,605,498
Student transportation	740,908	0	0	740,908
Food service	0	695	0	695
Community service activities	0	193,644	0	193,644
Facilities acquisition and construction	0	0	152,939	152,939
Debt service	0	0	758,747	758,747
TOTAL EXPENDITURES	12,904,623	2,349,571	911,686	16,165,880
Excess (deficit) of revenues over expenditures	135,280	(21,827)	303,242	416,695
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets	2,048	0	0	2,048
Operating transfers in	459,307	21,827	884,031	1,365,165
Operating transfers out	(174,766)	0	(1,190,399)	(1,365,165)
TOTAL OTHER FINANCING SOURCES (USES)	286,589	21,827	(306,368)	2,048
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	421,869	0	(3,126)	418,743
Fund Balance, July 1, 2012	2,610,845	0	4,707	2,615,552
Fund Balance, June 30, 2013	\$ 3,032,714	\$ 0	\$ 1,581	\$ 3,034,295

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES**
 For the Year Ended June 30, 2013

Net change in total fund balances per fund financial statements	\$	418,743
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays are exceeded by depreciation expense for the year.

Depreciation expense	(718,454)	
Capital outlays	<u>411,388</u>	(307,066)

Gross proceeds from the sale of capital assets are reported as revenue in the governmental funds because they provide current financial resources. However, in the statement of activities, the undepreciated cost of those assets is deducted from the proceeds to report gain or loss on the sale.

Gross proceeds from the sale of fixed assets	(2,048)	
Gain on the disposal of fixed assets	<u>846</u>	(1,202)

Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Principal paid		647,811
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Governmental funds report the effect of issuance costs and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.

Amortization of deferred loss on early retirement of debt	(37,951)	
Amortization of deferred bond issuance costs and discounts	<u>(12,013)</u>	(49,964)

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

These net differences are as follows:

Interest payable	3,536	
Accrued sick leave	<u>6,615</u>	<u>10,151</u>

Change in net position of governmental activities	\$	<u><u>718,473</u></u>
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See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Food Service Fund
	<u> </u>
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 348,857
Accounts receivable:	
Intergovernmental - indirect federal	90,554
Due from school activity funds	612
Inventory	<u>33,182</u>
Total current assets	<u>473,205</u>
Noncurrent Assets	
Capital assets	745,552
Less: accumulated depreciation	<u>(353,842)</u>
Total noncurrent assets	<u>391,710</u>
TOTAL ASSETS	<u><u>\$ 864,915</u></u>
LIABILITIES:	
Current Liabilities	
Accounts payable	\$ 3,551
Current portion of accrued sick leave	<u>1,377</u>
Total current liabilities	<u>4,928</u>
Noncurrent Liabilities	
Noncurrent portion of accrued sick leave	<u>11,144</u>
Total noncurrent liabilities	<u>11,144</u>
TOTAL LIABILITIES	<u><u>\$ 16,072</u></u>
Net Position	
Net investment in capital assets	\$ 391,710
Nonspendable - inventories	33,182
Restricted for food service	<u>423,951</u>
TOTAL NET POSITION	<u><u>\$ 848,843</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2013

	Food Service Fund
	<hr/>
Operating Revenues:	
Lunchroom sales	\$ 95,458
Other operating revenues	<hr/> 8,118
Total operating revenues	<hr/> 103,576
Operating Expenses:	
Salaries and benefits	488,228
Contract services	30,187
Materials and supplies	566,038
Depreciation	53,192
Expendable equipment	<hr/> 1,596
Total operating expenses	<hr/> 1,139,241
Operating income (loss)	<hr/> (1,035,665)
Non-Operating Revenues (Expenses):	
Federal grants	1,027,681
Donated commodities	59,266
State grants	87,505
Interest income	3,377
Loss on disposal of fixed assets	<hr/> (187)
Total non-operating revenues	<hr/> 1,177,642
Change in net position	141,977
Net Position, July 1, 2012	<hr/> 706,866
Net Position, June 30, 2013	<hr/> <hr/> \$ 848,843

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Food Service Fund
Cash Flows from Operating Activities:	
Cash received from:	
Lunchroom sales	\$ 95,458
Other operating revenues	7,506
Cash paid to/for:	
Employees	(408,993)
Contract services	(27,109)
Materials and supplies	(495,300)
Expendable equipment	(1,596)
Net cash provided by (used in) operating activities	(830,034)
Cash Flows from Non-Capital Financing Activities:	
Operating grants received	947,552
Net cash provided by (used in)	
non-capital financing activities	947,552
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(172,908)
Net cash provided by (used in)	
capital and related financing activities	(172,908)
Cash Flows from Investing Activities:	
Interest income received	3,377
Net cash provided by (used in) investing activities	3,377
Net increase (decrease) in cash and cash equivalents	(52,013)
Cash and cash equivalents, July 1, 2012	400,870
Cash and cash equivalents, June 30, 2013	\$ 348,857
Reconciliation of operating income (loss)	
to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (1,035,665)
Adjustments to reconcile operating income (loss) to	
net cash provided by (used in) operating activities:	
Depreciation	53,192
Commodities used	59,266
On-behalf payments	77,080
Changes in assets and liabilities:	
Inventory	10,863
Accounts receivable	(112)
Accounts payable	3,187
Accrued sick leave	2,155
Net cash provided by operating activities	\$ (830,034)
Non-Cash Investing, Capital, and Financing Activities:	
Food commodities received	\$ 59,266
On-behalf payments	77,080
Total Non-Cash Investing, Capital, and Financing Activities	\$ 136,346

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Private Purpose Trust Funds	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 89,940	\$ 85,721
Accounts receivable	<u>0</u>	<u>242</u>
Total Assets	<u><u>\$ 89,940</u></u>	<u><u>\$ 85,963</u></u>
 LIABILITIES:		
Accounts payable	\$ 0	\$ 1,617
Due to Board General Fund	0	917
Due to Board Food Service	0	612
Due to student groups	<u>0</u>	<u>82,817</u>
Total Liabilities	<u><u>\$ 0</u></u>	<u><u>\$ 85,963</u></u>
 NET POSITION HELD IN TRUST	<u><u>\$ 89,940</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2013

	Private Purpose Trust Funds
	<u> </u>
Additions:	
Interest income	\$ 37
Contributions received	<u> 34,489</u>
Total Additions	<u> 34,526</u>
 Deductions:	
Benefits paid	<u> 25,500</u>
Total Deductions	<u> 25,500</u>
Change in net position	9,026
Net position, July 1, 2012	<u> 80,914</u>
Net position, June 30, 2013	<u><u> \$ 89,940</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year ended June 30, 2013

NOTE A – REPORTING ENTITY

The Mayfield Independent Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Mayfield Independent School District (“District”). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Mayfield Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Mayfield Independent School District Finance Corporation – In 1991, the Mayfield Independent Board of Education resolved to authorize the establishment of the Mayfield Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The board members of the Mayfield Independent Board of Education also comprise the Corporation’s Board of Directors.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District’s accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include all financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation - continued

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal and private grants where unused balances are returned to the grantor at the close of the specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 46. This is a major fund of the District.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building fund tax levies, and sale of bonds.
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$59,266 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting – continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means resources are expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes

Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they were levied.

The property tax rates assessed for the year ended June 30, 2013, to finance operations were \$.683 per \$100 valuation for real property, \$.683 per \$100 valuation for business personal property and \$.689 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2013 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items at June 30, 2013 consisted of fleet, property, umbrella, and superintendent's life insurance and fidelity and blanket bonds paid during the fiscal year ended June 30, 2013 that included coverage for periods beyond June 30, 2013.

Debt Costs

Unamortized debt issuance costs in the amount of \$73,002 and unamortized discounts of \$87,101 are included in the government-wide statements. Both debt issuance costs and discounts are amortized over the lives of the related debt issues using the straight-line method.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July 18, 2012 meeting the Board approved a change to its Equipment and Assets policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. The new guidelines establish a capitalization threshold of \$5,000 for real or personal property. The District chose to retain the exception relating to computer workstations, which are still capitalized regardless of value. Larger thresholds apply to buildings and building improvements (\$15,000) and leasehold improvements (\$50,000). The District does not possess any infrastructure. Improvements to land and to buildings in excess of the above limits are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental and business-type capital assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "current portion of accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as liabilities in the fund financial statements until due.

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Use of Restricted Resources

When an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Impact of Recently Issued Accounting Pronouncements

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows and inflows of resources, which are distinct from assets and liabilities, and also renames as net position, rather than net assets, the residual of all other elements presented in a statement of financial position. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of June 30, 2013, the District had no deferred outflows or deferred inflows of resources.

In March, 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012; therefore, this statement will affect the financial statements for the fiscal year ending June 30, 2014.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through November 4, 2013, the date the financial statements were available to be issued.

NOTE C – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$3,372,444. The bank balance was \$4,099,960. Of the bank balance, \$251,582 was covered by Federal Depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$3,848,378 was uninsured and collateralized with securities held by the pledging bank's agent, in the District's name.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2013

Note E - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

Governmental Activities	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
Capital Assets:				
Land and improvements	\$ 1,603,259	\$ 0	\$ 0	\$ 1,603,259
Buildings and improvements	19,151,845	134,848	0	19,286,693
Technology equipment	1,729,391	69,132	38,861	1,759,662
Vehicles	1,160,145	0	0	1,160,145
General Equipment	598,707	174,971	0	773,678
Construction	87,414	119,851	87,414	119,851
Totals at historical cost	<u>24,330,761</u>	<u>498,802</u>	<u>126,275</u>	<u>24,703,288</u>
Less: Accumulated depreciation				
Land and improvements	583,433	7,139	0	590,572
Buildings and improvements	7,247,180	401,159	0	7,648,339
Technology equipment	1,274,762	186,717	37,659	1,423,820
Vehicles	837,956	74,609	0	912,565
General equipment	400,072	48,830	0	448,902
Total accumulated depreciation	<u>10,343,403</u>	<u>718,454</u>	<u>37,659</u>	<u>11,024,198</u>
Governmental Activities Capital Assets - Net	<u>\$ 13,987,358</u>	<u>\$ (219,652)</u>	<u>\$ 88,616</u>	<u>\$ 13,679,090</u>
Business-Type Activities				
Capital Assets:				
Technology equipment	\$ 30,186	\$ 0	\$ 1,708	\$ 28,478
General Equipment	544,166	172,908	0	717,074
Totals at historical cost	<u>574,352</u>	<u>172,908</u>	<u>1,708</u>	<u>745,552</u>
Less: Accumulated depreciation				
Technology equipment	16,699	4,246	1,521	19,424
General Equipment	285,472	48,946	0	334,418
Total accumulated depreciation	<u>302,171</u>	<u>53,192</u>	<u>1,521</u>	<u>353,842</u>
Business-Type Activities Capital Assets - Net	<u>\$ 272,181</u>	<u>\$ 119,716</u>	<u>\$ 187</u>	<u>\$ 391,710</u>

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 515,788
Student support services	9,858
Instructional staff support services	25,443
District administration	17,087
School administration	4,953
Business	24,699
Plant operation and maintenance	60,256
Student transportation	59,053
Community services	1,317
Total depreciation expense	<u>\$ 718,454</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE F – BONDED DEBT AND CAPITAL LEASE OBLIGATIONS

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Mayfield Independent School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Mayfield Independent School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security for the holders of the bonds.

The KISTA school bus acquisition bonds provide for the title of the equipment (buses) to vest in the District subject to a first lien, and if nonrenewal or default occurs, the title will revert to KISTA. The District leases and rents the equipment from KISTA on an annual basis and has an exclusive option to renew this lease from year to year for the period of time of the pooled bond issue (approximately 10 years). The semi-annual bond interest and principal payments constitute the lease payments. The District is also obligated to keep the equipment in good repair and provide insurance coverage.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
January 1, 2004 KISTA	\$ 117,008	1.000% - 3.500%
March 1, 2004	8,975,000	2.000% - 4.200%
January 1, 2005 KISTA	128,637	3.000% - 3.625%
January 1, 2006 KISTA	64,903	3.300% - 4.000%
September 1, 2006 KISTA	68,400	3.500% - 3.875%
February 1, 2008 refunding	715,000	2.350% - 3.125%
January 1, 2009 KISTA	73,939	2.000% - 3.900%
December 1, 2009 KISTA	79,141	2.000% - 3.600%
March 20, 2012, refunding	5,610,000	0.600% - 2.300%

In 1997 the District entered into a "participation agreement" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The table on the following page sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE F – BONDED DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

On March 20, 2012, the District issued bonds to currently refund all outstanding 2001 School Building Revenue Bonds and to advance refund on March 1, 2014 the outstanding 2004 School Building Revenue Bonds that are scheduled to mature on or after March 1, 2017. The liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2013, \$4,980,000 of bonds outstanding is considered defeased. In the Statement of Net Position, the net costs associated with the early retirement of the issues are deferred and amortized over the lesser of the original remaining life of the old bonds or the life of the new bonds. The amount deferred is reported as a decrease to the book value of the debt issued to finance the refunding. Total deferred costs were \$454,162. Amortization for the year was \$37,951 and is included as a component of interest expense.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2013 for debt service (principal and interest) are as follows:

Year	Mayfield Independent School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2013-2014	\$ 631,958	\$ 155,597	\$ 20,104	\$ 4,399	\$ 812,058
2014-2015	640,549	137,724	20,679	3,824	802,776
2015-2016	647,247	118,841	21,297	3,206	790,591
2016-2017	631,004	99,104	21,959	2,544	754,611
2017-2018	635,091	89,744	15,108	2,161	742,104
2018-2019	639,067	81,161	15,304	1,964	737,496
2019-2020	647,036	70,643	15,549	1,720	734,948
2020-2021	644,139	57,581	15,861	1,409	718,990
2021-2022	663,822	44,699	16,178	1,091	725,790
2022-2023	673,482	30,758	16,518	752	721,510
2023-2024	693,120	15,942	16,880	388	726,330
	<u>\$ 7,146,515</u>	<u>\$ 901,794</u>	<u>\$ 195,437</u>	<u>\$ 23,458</u>	<u>\$ 8,267,204</u>

Interest incurred and charged to expense for fiscal year ended June 30, 2013 was \$206,059.

A summary of changes in long-term debt is as follows:

Type	Balance June 30, 2012	Issued	Retired	Balance June 30, 2013
Bonds payable	\$ 7,755,000	\$ 0	\$ 595,000	\$ 7,160,000
Capital lease - KISTA	234,763	0	52,811	181,952
Non-current portion of sick leave	280,554	21,580	28,195	273,939
Totals	<u>\$ 8,270,317</u>	<u>\$ 21,580</u>	<u>\$ 676,006</u>	<u>\$ 7,615,891</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE G – RETIREMENT PLANS

Plan Descriptions

The Mayfield Independent School District contributes to the Teachers' Retirement System of Kentucky (KTRS) and the County Employee's Retirement System (CERS), both cost-sharing, multiple employer defined benefit pension plans. Certified employees are covered under KTRS and substantially all other employees (classified employees) are covered under CERS. Both plans administer retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE).

The Kentucky Revised Statutes provided for the establishment of both systems and benefit amendments are authorized by the State legislature. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. The KTRS report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS website at <http://ktrs.ky.gov/>. The CERS report can be obtained by writing to Kentucky Employee's Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

Funding Policy

Contribution rates are established by KRS. Members of KTRS are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contribution of 14.105%. Plan members of CERS are required to contribute 5% of their annual covered salary, and the Mayfield Independent School District provides a contribution of 19.55% of that salary. For employees hired on September 1, 2008, or thereafter, an additional 1% must be contributed to a health insurance account.

Medical Insurance Plan

Plan description – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy – In order to fund the post-retirement healthcare benefit, three and one half percent (3.5%) of the gross annual payroll of members before July 1, 2008 is contributed. One and three quarters percent (1.75%) is paid by member contributions and three quarters percent (.75%) is paid from state appropriation and one percent (1.00%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE G – RETIREMENT PLANS – CONTINUED

The Mayfield Independent School District's total payroll for the year was \$9,555,529. The payroll for employees covered under KTRS was \$7,126,172 and for CERS was \$2,341,032. For the year ended June 30, 2013, the Commonwealth contributed \$849,794 to KTRS for the benefit of participating employees. The District's contributions to KTRS for the year ended June 30, 2013 was \$99,287, which represents those employees covered by federal programs. The contribution requirement and the amount contributed to CERS for the year ended June 30, 2013 was \$579,491 which consisted of \$457,442 from the Board and \$122,049 from the employees. The contributions required and paid to CERS for the years ended June 30, 2012 and 2011 were \$556,136 and \$508,162, respectively.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION

The Kentucky Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2013:

Contributions to Kentucky Teachers' Retirement System	\$ 849,794
Technology	52,495
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	<u>1,807,009</u>
Total	<u>\$ 2,709,298</u>

These payments are recorded in the General and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

On-behalf contributions were charged to governmental functions as follows:

Instruction	\$ 1,781,763
Support services:	
Student	94,924
Instructional staff	128,113
District administration	74,141
School administration	203,004
Business	77,294
Plant operations and maintenance	148,640
Student transportation	124,339
Food services	<u>77,080</u>
Total	<u>\$ 2,709,298</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE I – COMMITMENTS AND CONTINGENCIES

Grant Contingencies

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

Insurance Contingencies

As noted below, the District has participated in the Kentucky School Boards Insurance Trust (KSBIT) public entity risk pool. In January 2013, officials for KSBIT announced the dissolution of the trust, as well as their plans to collect the accumulated deficit by assessing each of the school districts that procured general liability, property, and workers compensation insurance coverage from KSBIT in the deficit years. Any school district which was a policy holder in the workers compensation pool from 1990 to 2011, and any district which was a policy holder in the property and general liability pool from 1993 to 2011, are subject to the assessment. The formula for the assessment is based upon the school district's length of service in KSBIT, the premiums paid, and the numbers of claims made that were attributable to the school district. KSBIT has submitted a plan to the Kentucky Department of Insurance using a novation option, under which a highly rated reinsurer would assume all of the liabilities of KSBIT and its members for claims for a set amount and would continue making claims payments. The Kentucky Department of Insurance has not yet approved this plan. Until the plan is approved, no assessment will be finalized. Estimated amounts for the District based on the novation plan total approximately \$283,000. The high estimate is approximately \$285,000, while the best estimate is approximately \$224,000. It is anticipated that districts will have the option of making a lump-sum payment of the assessment or using bond financing for up to twenty years.

NOTE J – INSURANCE AND RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. This public entity risk pool operates as a common risk management and insurance program for all school boards and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to the fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. As noted above, KSBIT has announced the dissolution of the trust.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE K - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE L – COMMITMENTS FOR SCHOOL CONSTRUCTION

The District approved an agreement for lighting at the high school softball field. The amount of the original contract was \$95,900. Change orders reduced the total to \$91,321. As of the balance sheet date, \$86,239 had been completed and is included in the statement of net position as construction in progress.

The District also approved an agreement to re-surface the high school track. The amount of the contract was \$41,900. Nothing had been paid toward this contract as of the balance sheet date.

NOTE M – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District has no funds with a deficit fund balance. The General Fund had \$1,650,516 less in expenditures than appropriations when excluding on-behalf payments of \$2,632,218 which are not required to be budgeted.

NOTE N - TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Technology Match	\$ 21,827
Operating	Capital Outlay	Debt Service	Debt Service	144,291
Operating	FSPK	Debt Service	Debt Service	586,801
Operating	FSPK	General	Capital spending	459,307
Operating	General	Construction	Construction	152,939

NOTE O – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2013 consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Special Revenue Fund	\$ 47,574	\$ 0
Agency Fund	917	0
Special Revenue Fund:		
General Fund	0	47,574
Food Service Fund:		
Agency Fund	612	0
Agency Fund:		
General Fund	0	917
Food Service Fund	0	612

REQUIRED SUPPLEMENTARY INFORMATION

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 1,670,000	\$ 1,670,000	\$ 1,749,930	\$ 79,930
Motor Vehicle	220,000	220,000	269,060	49,060
Utilities	600,000	600,000	661,798	61,798
In Lieu of	50,000	50,000	107,922	57,922
Earnings on Investments	30,000	30,000	28,346	(1,654)
Other local revenues	0	0	192,605	192,605
Intergovernmental - State	6,679,045	6,679,045	9,826,136	3,147,091
Intergovernmental - Indirect Federal	25,000	25,000	204,106	179,106
TOTAL REVENUES	9,274,045	9,274,045	13,039,903	3,765,858
EXPENDITURES:				
Current:				
Instruction	5,923,430	5,923,430	7,714,676	(1,791,246)
Support Services:				
Student	302,153	302,153	410,862	(108,709)
Instructional Staff	645,541	645,541	712,523	(66,982)
District Administration	840,617	840,617	699,778	140,839
School Administration	701,757	701,757	847,446	(145,689)
Business	105,881	105,881	172,932	(67,051)
Plant operations and maintenance	1,743,042	1,743,042	1,605,498	137,544
Student transportation	634,298	517,188	740,908	(223,720)
Facilities acquisition and construction	150,000	150,000	0	150,000
Debt service	0	117,110	0	117,110
Contingency	876,202	876,202	0	876,202
TOTAL EXPENDITURES	11,922,921	11,922,921	12,904,623	(981,702)
Excess (deficit) of revenues over expenditures	(2,648,876)	(2,648,876)	135,280	2,784,156
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets	0	0	2,048	2,048
Operating transfers in	333,876	333,876	459,307	125,431
Operating transfers out	(35,000)	(35,000)	(174,766)	(139,766)
TOTAL OTHER FINANCING SOURCES (USES)	298,876	298,876	286,589	(12,287)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(2,350,000)	(2,350,000)	421,869	2,771,869
Fund Balance, July 1, 2012	2,350,000	2,350,000	2,610,845	260,845
Fund Balance, June 30, 2013	\$ 0	\$ 0	\$ 3,032,714	\$ 3,032,714

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$2,632,218 from the state are included in both revenues and expenditures in the actual column;
however, this amount was not required to be included in the budget.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Other local revenues	\$ 57,346	\$ 57,346	\$ 83,622	\$ 26,276
Intergovernmental - State	506,354	505,459	726,342	220,883
Intergovernmental - Indirect federal	1,626,344	1,637,714	1,517,780	(119,934)
TOTAL REVENUES	<u>2,190,044</u>	<u>2,200,519</u>	<u>2,327,744</u>	<u>127,225</u>
EXPENDITURES:				
Current:				
Instruction	1,790,703	1,796,999	2,044,809	(247,810)
Support Services:				
Instructional Staff	150,659	150,659	110,423	40,236
Plant operations and maintenance	126,407	126,407	0	126,407
Food service	0	4,155	695	3,460
Community service activities	157,275	157,275	193,644	(36,369)
TOTAL EXPENDITURES	<u>2,225,044</u>	<u>2,235,495</u>	<u>2,349,571</u>	<u>(114,076)</u>
Excess (deficit) of revenues over expenditures	<u>(35,000)</u>	<u>(34,976)</u>	<u>(21,827)</u>	<u>13,149</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	35,000	35,000	21,827	(13,173)
TOTAL OTHER FINANCING SOURCES (USES)	<u>35,000</u>	<u>35,000</u>	<u>21,827</u>	<u>(13,173)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	24	0	(24)
Fund Balance, July 1, 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30, 2013	<u>\$ 0</u>	<u>\$ 24</u>	<u>\$ 0</u>	<u>\$ (24)</u>

See independent auditor's report and accompanying notes to financial statements

OTHER SUPPLEMENTARY INFORMATION

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES:					
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 1,581	\$ 1,581
TOTAL ASSETS AND RESOURCES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,581</u>	<u>\$ 1,581</u>
LIABILITIES AND FUND BALANCE:					
LIABILITIES:					
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EQUITY AND FUND BALANCES:					
Restricted:					
Debt service	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,581</u>	<u>1,581</u>
TOTAL FUND BALANCES	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,581</u>	<u>1,581</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,581</u>	<u>\$ 1,581</u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:					
From Local Sources:					
Taxes:					
Property	\$ 322,570	\$ 0	\$ 0	\$ 0	\$ 322,570
Earnings on Investments	0	0	0	26	26
Intergovernmental - State	723,538	144,291	0	24,503	892,332
TOTAL REVENUES	<u>1,046,108</u>	<u>144,291</u>	<u>0</u>	<u>24,529</u>	<u>1,214,928</u>
EXPENDITURES:					
Facilities acquisition and construction	0	0	152,939	0	152,939
Debt service	0	0	0	758,747	758,747
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>152,939</u>	<u>758,747</u>	<u>911,686</u>
Excess (deficit) of revenues over expenditures	<u>1,046,108</u>	<u>144,291</u>	<u>(152,939)</u>	<u>(734,218)</u>	<u>303,242</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	0	0	152,939	731,092	884,031
Operating transfers out	(1,046,108)	(144,291)	0	0	(1,190,399)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,046,108)</u>	<u>(144,291)</u>	<u>152,939</u>	<u>731,092</u>	<u>(306,368)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	0	0	(3,126)	(3,126)
Fund Balance, July 1, 2012	0	0	0	4,707	4,707
Fund Balance, June 30, 2013	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,581</u>	<u>\$ 1,581</u>

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See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
DEBT SERVICE FUNDS

For the Year Ended June 30, 2013

	2004 BONDS FUND	2008 BONDS FUND	2012 BONDS FUND	Totals Debt service Fund
REVENUES:				
Earnings on investments	\$ 0	\$ 0	\$ 26	\$ 26
Intergovernmental - State	12,671	7,234	4,598	24,503
TOTAL REVENUES	12,671	7,234	4,624	24,529
EXPENDITURES:				
Debt Service:				
Principal	400,000	90,000	105,000	595,000
Interest	55,100	13,835	94,812	163,747
TOTAL EXPENDITURES	455,100	103,835	199,812	758,747
Excess (deficit) of revenues over expenditures	(442,429)	(96,601)	(195,188)	(734,218)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	442,429	96,601	192,062	731,092
TOTAL OTHER FINANCING SOURCES (USES)	442,429	96,601	192,062	731,092
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	0	(3,126)	(3,126)
Fund balance July 1, 2012	1,518	38	3,151	4,707
Fund balance June 30, 2013	<u>\$ 1,518</u>	<u>\$ 38</u>	<u>\$ 25</u>	<u>\$ 1,581</u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET--SCHOOL ACTIVITY FUNDS
June 30, 2013

	Mayfield Elementary School	Mayfield Middle School	Mayfield High School	Totals (Memorandum Only)
ASSETS:				
Cash and cash equivalents	\$ 22,706	\$ 30,588	\$ 32,427	\$ 85,721
Accounts Receivable	96	0	146	242
TOTAL ASSETS	<u>\$ 22,802</u>	<u>\$ 30,588</u>	<u>\$ 32,573</u>	<u>\$ 85,963</u>
LIABILITIES:				
Accounts Payable	\$ 726	\$ 363	\$ 528	\$ 1,617
Due to Board General Fund	0	39	878	917
Due to Board Food Service Fund	0	510	102	612
Due to Student Groups	22,076	29,676	31,065	82,817
TOTAL LIABILITIES	<u>\$ 22,802</u>	<u>\$ 30,588</u>	<u>\$ 32,573</u>	<u>\$ 85,963</u>
NET POSITION HELD IN TRUST	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS**

For the Year Ended June 30, 2013

	Mayfield Elementary School	Mayfield Middle School	Mayfield High School	Totals (Memorandum only)
REVENUES:				
From local sources:				
Earnings on Investments	\$ 57	\$ 118	\$ 149	\$ 324
Student activities	55,736	88,868	325,787	470,391
Total Revenues	55,793	88,986	325,936	470,715
EXPENDITURES				
Student Activities	46,016	88,621	321,352	455,989
Total expenditures	46,016	88,621	321,352	455,989
Excess (deficit) of revenues over expenditures	9,777	365	4,584	14,726
Due to student groups, July 1, 2012	12,299	29,311	26,481	68,091
Due to student groups, June 30, 2013	\$ 22,076	\$ 29,676	\$ 31,065	\$ 82,817

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT - ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS & DUE TO STUDENT GROUPS
Mayfield High School
For the Year Ended June 30, 2013

	Cash Balance	Receipts		Disbursements	
	July 1, 2012	Actual	Budget	Actual	Budget
General Fund	\$ 6,732.65	\$ 31,394.15	\$ 1,950.00	\$ 34,603.02	\$ 9,750.00
Cardinals Closet	21.00	479.00	250.00	396.66	256.00
Student Council	751.80	306.75	360.00	385.56	1,111.80
Physics Class	114.82	2,001.81	0.00	28.62	114.82
FEA	52.34	0.00	150.00	52.34	202.00
Drama	0.00	2,118.45	1,300.00	2,118.45	1,436.71
Teacher Fund	2,126.08	892.56	790.00	810.21	2,790.00
Cultural Diversity	464.69	5,797.19	3,927.17	6,261.88	5,421.08
Beta Club	61.43	1,216.58	1,300.00	1,253.90	1,361.43
Foreign Language	315.53	0.00	300.00	145.15	665.53
Key Club	167.44	731.61	550.00	663.47	703.00
Science Club	2,001.81	0.00	7,900.00	2,001.81	9,650.00
FCA	51.39	126.15	90.00	126.15	141.00
FCCLA	2.00	136.00	484.00	138.00	486.00
FMD	79.80	254.58	79.00	126.84	79.00
Band	1,963.85	7,846.52	24,195.00	4,127.26	26,158.00
Sunshine Fund	214.99	500.00	700.00	540.00	900.00
Athletics	1,283.46	250,484.30	204,375.00	250,320.30	206,161.00
Class of 2012	130.73	0.00	0.00	130.73	130.00
Class of 2013	282.29	797.08	0.00	1,079.37	501.29
Class of 2014	0.00	6,345.60	8,000.00	5,939.79	8,000.00
Guidance	1,763.73	13,152.70	3,010.00	10,821.30	4,510.00
WMCTV	495.53	190.00	475.00	148.67	678.71
Special Olympics	678.49	780.00	500.00	695.00	940.00
Library Activities	160.19	316.55	125.00	211.31	251.04
Arts and Humanities	391.00	0.00	0.00	0.00	391.00
AP History	0.00	7,210.00	3,889.00	7,118.69	3,889.00
Shakespeare & Peers	472.63	761.00	130.00	487.95	602.63
Rotary Interact	188.66	270.00	250.00	251.50	433.66
Beatnik Café	418.90	0.00	100.00	0.00	518.00
Publications	6,113.51	9,034.00	13,000.00	8,734.94	19,000.00
Sportsman Club	236.35	3,065.04	1,741.00	1,798.92	1,977.35
Subtotal	27,737.09	346,207.62	279,920.17	341,517.79	309,210.05
Less: Interfund Transfers	0.00	20,011.52	0.00	20,011.52	0.00
Total	\$ 27,737.09	\$ 326,196.10	\$ 279,920.17	\$ 321,506.27	\$ 309,210.05

See independent auditor's report and accompanying notes to financial statements

	Cash Balance June 30, 2013	Accounts Receivable	Accounts Payable	Due to June 30, 2013
General Fund	\$ 3,523.78	\$ 104.47	\$ 598.59	\$ 3,029.66
Cardinals Closet	103.34	0.00	0.00	103.34
Student Council	672.99	0.00	0.00	672.99
Physics Class	2,088.01	0.00	0.00	2,088.01
FEA	0.00	0.00	0.00	0.00
Drama	0.00	0.00	0.00	0.00
Teacher Fund	2,208.43	0.00	30.80	2,177.63
Cultural Diversity	0.00	0.00	0.00	0.00
Beta Club	24.11	0.00	0.00	24.11
Foreign Language	170.38	0.00	0.00	170.38
Key Club	235.58	0.00	0.00	235.58
Science Club	0.00	0.00	0.00	0.00
FCA	51.39	0.00	0.00	51.39
FCCLA	0.00	0.00	0.00	0.00
FMD	207.54	0.00	0.00	207.54
Band	5,683.11	0.00	0.00	5,683.11
Sunshine Fund	174.99	0.00	0.00	174.99
Athletics	1,447.46	37.60	878.59	606.47
Class of 2012	0.00	0.00	0.00	0.00
Class of 2013	0.00	0.00	0.00	0.00
Class of 2014	405.81	0.00	0.00	405.81
Guidance	4,095.13	4.00	0.00	4,099.13
WMCTV	536.86	0.00	0.00	536.86
Special Olympics	763.49	0.00	0.00	763.49
Library Activities	265.43	0.00	0.00	265.43
Arts and Humanities	391.00	0.00	0.00	391.00
AP History	91.31	0.00	0.00	91.31
Shakespeare & Peers	745.68	0.00	0.00	745.68
Rotary Interact	207.16	0.00	0.00	207.16
Beatnik Café	418.90	0.00	0.00	418.90
Publications	6,412.57	0.00	0.00	6,412.57
Sportsman Club	1,502.47	0.00	0.00	1,502.47
Subtotal	32,426.92	146.07	1,507.98	31,065.01
Less:Interfund Transfers	0.00	0.00	0.00	0.00
Total	<u>\$ 32,426.92</u>	<u>\$ 146.07</u>	<u>\$ 1,507.98</u>	<u>\$ 31,065.01</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION--ALL PRIVATE PURPOSE TRUST FUNDS
June 30, 2013

	Don McNeilly	Scott Nall Golf	MHS Booster Club	Grant Sloan Memorial	Mary Colby	Randle & Versa Watts
ASSETS:						
Cash and cash equivalents	\$ 17,150	\$ 3,152	\$ 449	\$ 10,567	\$ 500	\$ 44,373
TOTAL ASSETS	<u>\$ 17,150</u>	<u>\$ 3,152</u>	<u>\$ 449</u>	<u>\$ 10,567</u>	<u>\$ 500</u>	<u>\$ 44,373</u>
NET POSITION HELD IN TRUST	<u>\$ 17,150</u>	<u>\$ 3,152</u>	<u>\$ 449</u>	<u>\$ 10,567</u>	<u>\$ 500</u>	<u>\$ 44,373</u>

See independent auditor's report and accompanying notes to financial statements

Trevor Williams/ McKenzie Stanley	Board Leadership Male	Board Leadership Female	James Steel Robbins Memorial	Roy & Maxine Heath	McKenzie Staley Memorial	Nathan Sholar	Shelton Family	Totals (Memorandum Only)
\$ 202	\$ 2,510	\$ 2,510	\$ 1,025	\$ 501	\$ 1,000	\$ 1,000	\$ 5,001	\$ 89,940
<u>\$ 202</u>	<u>\$ 2,510</u>	<u>\$ 2,510</u>	<u>\$ 1,025</u>	<u>\$ 501</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 5,001</u>	<u>\$ 89,940</u>
<u>\$ 202</u>	<u>\$ 2,510</u>	<u>\$ 2,510</u>	<u>\$ 1,025</u>	<u>\$ 501</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 5,001</u>	<u>\$ 89,940</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION HELD IN TRUST**
ALL PRIVATE PURPOSE TRUST FUNDS
For the Year Ended June 30, 2013

	Don McNeilly	Scott Nall Golf	MHS Booster Club	Grant Sloan Memorial	Mary Colby	Randle & Versa Watts
REVENUES:						
From local sources:						
Donations	\$ 0	\$ 0	\$ 0	\$ 4,200	\$ 500	\$ 7,789
Earnings on Investments	9	1	0	5	0	21
Total Revenues	9	1	0	4,205	500	7,810
EXPENDITURES						
Benefits paid	500	500	0	3,000	500	4,000
Total expenditures	500	500	0	3,000	500	4,000
Excess (deficit) of revenues over expenditures	(491)	(499)	0	1,205	0	3,810
Net Position Held in Trust, July 1, 2012	17,641	3,651	449	9,362	500	40,563
Net Position Held in Trust, June 30, 2013	<u>\$ 17,150</u>	<u>\$ 3,152</u>	<u>\$ 449</u>	<u>\$ 10,567</u>	<u>\$ 500</u>	<u>\$ 44,373</u>

See independent auditor's report and accompanying notes to financial statements

Trevor Williams/ McKenzie Stanley	Board Leadership Male	Board Leadership Female	James Steel Robbins Memorial	Roy & Maxine Heath	McKenzie Stanley Memorial	Nathan Sholar	Shelton Family	Totals (Memorandum Only)
\$ 0	\$ 4,500	\$ 4,500	\$ 1,000	\$ 500	\$ 500	\$ 1,000	\$ 10,000	\$ 34,489
0	0	0	0	0	0	0	1	37
0	4,500	4,500	1,000	500	500	1,000	10,001	34,526
0	2,000	2,000	1,000	500	500	1,000	10,000	25,500
0	2,000	2,000	1,000	500	500	1,000	10,000	25,500
0	2,500	2,500	0	0	0	0	1	9,026
202	10	10	1,025	501	1,000	1,000	5,000	80,914
<u>\$ 202</u>	<u>\$ 2,510</u>	<u>\$ 2,510</u>	<u>\$ 1,025</u>	<u>\$ 501</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 5,001</u>	<u>\$ 89,940</u>

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Education:</u>			
Passed Through Kentucky Department of Education:			
Special Education Grants to States	84.027	3810002-11 & 12	\$ 346,516
Special Education Preschool Grants	84.173	3800002-12	29,833
Total Special Education Cluster			376,349
Title I Grants to Local Educational Agencies	84.010	3100002-11 & 12	862,869
Total Title I, Part A Cluster			862,869
English Language Acquisition State Grants	84.365	3300002-11 & 12	55,598
Improving Teacher Quality State Grants	84.367	3230002-11 & 12	102,387
Rural Education	84.358	3140002-11 & 12	26,625
Migrant Education State Grant Program	84.011	3110002-11 & 12	64,558
Education Jobs Fund	84.410	EJOB00	2,798
Race to the Top	84.413	3960002-11	11,192
Career and Technical Education Basic Grants to States	84.048	4621232-11, 4621332-12 & 13	14,682
TOTAL U.S. DEPARTMENT OF EDUCATION			1,517,058
<u>U.S. Department of Health & Human Services:</u>			
Passed Through Kentucky Department of Education:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	2000001-12	150
Passed through Murray Board of Education:			
Head Start	93.600	N/A	162,583
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			162,733
<u>U.S. Department of Agriculture:</u>			
Passed Through Kentucky Department of Education:			
National School Lunch Program - cash	10.555	7750002-12 & 13	731,285
National School Lunch Program - donated foods (Note B)	10.555	N/A	59,266
School Breakfast Program	10.553	7760005-12 & 13	292,100
Summer Food Service Program for Children	10.559	7740023-13 & 7690024-13	4,991
Total Child Nutrition Cluster			1,087,642
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,087,642
TOTAL FEDERAL ASSISTANCE			\$ 2,767,433

See accompanying notes to schedule
of expenditures of federal awards

MAYFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2013

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Mayfield Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2013 is combined with purchased food inventory. The pass-through number for the commodities program was not available for the Schedule of Expenditures of Federal Awards.

NOTE C – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 13 of the audit report and in the statement of revenues, expenses, and changes in net position – proprietary funds on page 16 of the audit report:

Total intergovernmental – indirect federal from page 13	\$	1,721,886
Total federal grants from page 16		1,027,681
Donated commodities from page 16		59,266
Less: Medicaid reimbursements included in indirect federal on page 13		<u>(41,400)</u>
Total on page 46	\$	<u><u>2,767,433</u></u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Kentucky Public School District's Independent Auditor's Contract, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Mayfield Independent School District's basic financial statements, and have issued my report thereon dated November 4, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Mayfield Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mayfield Independent School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Mayfield Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mayfield Independent School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the Kentucky Public School District's *Independent Auditor's Contract*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kim Glan". The signature is written in a cursive, flowing style.

Benton, Kentucky
November 4, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, Kentucky

Report on Compliance for Each Major Federal Program

I have audited the Mayfield Independent School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Mayfield Independent School District's major federal programs for the year ended June 30, 2013. Mayfield Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Mayfield Independent School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Kentucky Public School District's Independent Auditor's Contract, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mayfield Independent School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Mayfield Independent School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Mayfield Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Mayfield Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Mayfield Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Mayfield Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Benton, Kentucky
November 4, 2013

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013**

I. SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of the Mayfield Independent School District.
2. No significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Mayfield Independent School District were disclosed during the audit.
4. No significant deficiencies in internal control over the major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Mayfield Independent School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 relative to the major federal award programs for Mayfield Independent School District.
7. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Special Education Cluster:	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
Child Nutrition Cluster:	
National School Lunch Program	10.555
School Breakfast Program	10.553
Summer Food Service Program for Children	10.559

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Mayfield Independent School District qualified to be a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the current year required to be reported in this schedule.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the current year required to be reported in this schedule.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2013**

I. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the prior year that were required to be reported in this section.

II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the prior year that were required to be reported in this section.

MANAGEMENT LETTER POINTS

Kentucky State Committee for School District Audits
and Members of the Board of Education of
Mayfield Independent School District
Mayfield, Kentucky

I have audited the financial statements of the Mayfield Independent School District for the year ended June 30, 2013, and have issued my report thereon dated November 4, 2013. In planning and performing my audit of the financial statements of Mayfield Independent School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, flowing style.

Benton, Kentucky
November 4, 2013

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2013

UNCORRECTED PRIOR YEAR COMMENTS

School Activity Funds – Mayfield Middle School

In the prior year, it was noted that the concession stand was worked by members of various clubs. The only documentation submitted by each club was a sheet that listed each product, how many of each was sold, an extended price by item and a total of sales. In our prior year test of controls over inventory, we were able to match the total sales on the sheet to the deposit; however, we did not locate any inventory lists. Normally inventory should be taken on a monthly basis; however, when there are different clubs responsible for the sale of inventory on a rotating basis, we recommended that inventory be taken at the end of each event, if the next event will be worked by a different club. An inventory control worksheet should be prepared to reconcile inventory, sales, and purchases each time an inventory is taken. If there is a shortage, this method would help determine which club is responsible and explanations can be obtained at that time. The inventory lists were not used during the current year. See current year comments for further details relating to inventory control exceptions.

School Activity Funds – Mayfield High School

In the prior year, we noted that fundraiser worksheets were not being used. Although the fundraisers we tested appeared to have reasonable amounts collected when compared to the amounts purchased, we felt the worksheet would provide a better tool for control purposes throughout the year. In the current year, we again noted worksheets were not being used; although amounts collected were again reasonable compared to amounts purchased.

CORRECTED PRIOR YEAR COMMENTS

Payroll

In the prior year, we noted three payroll disbursements with insufficient documentation to determine that gross pay was accurately calculated. One employee that was tested did not have a personnel file. The employee was hired as a paraprofessional and no personnel file was kept. Another employee that was tested was being paid as a classified employee with a higher education degree, which means that the pay is at the highest rate within the employee's position. There was no evidence of a degree being obtained in the file. Another employee that was tested was being paid at rank one; however no rank one certificate was in the file. In the current year, we noted proper documentation in all employee files tested to determine that gross pay was accurately calculated, with the exception of the superintendent. See current year comments for details relating to the superintendent's contract.

School Activity Funds – Mayfield Middle School

In the prior year, tickets that were typically sold for entrance to athletic events were used for a raffle; however, the documentation retained included only the winning ticket and did not list the ticket numbers that were sold in order to calculate the amount of funds that should have been deposited from the sales. We did not note any problems with this during the current year.

School Activity Funds – Mayfield High School

In the prior year, we noted that fundraiser worksheets were not being used. Although the fundraisers we tested appeared to have reasonable amounts collected when compared to the amounts purchased, we felt the worksheet would provide a better tool for control purposes throughout the year. In the current year, we noted worksheets were used and amounts collected were again reasonable compared to amounts purchased.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONTINUED)**
June 30, 2013

CURRENT YEAR COMMENTS

Central Office

Contract Compliance:

In a review of the District's contract with the superintendent, we noted the latest contract commenced July 1, 2011 and will terminate on June 30, 2015. The initial annual salary for the 2011-12 fiscal year was \$146,295. The contract stipulates that the salary in each subsequent year shall be increased by an amount at least equal to the greatest percentage increase received by any certified employee on any one rank and step of the district salary schedule. In the June 2012 minutes, it was noted that the teachers' salaries were to be raised by 2% for the 2012-13 school year. There was no mention in the minutes of a different amount of increase for the superintendent. Based on a 2% increase, the superintendent's salary would have been \$149,221; however, he was paid \$156,295.

In addition, the contract stated that the District would provide term life insurance for the superintendent in an amount equal to three times his annual salary. Based on the salary noted above of \$149,221, the life insurance should be no greater than \$447,663. One policy was in effect for the period from January 31, 2013 through January 31, 2014 for a face amount of \$550,000 and a premium cost of \$2,501.50. A second policy was in effect for the period from April 2, 2013 through April 2, 2014 for a face amount of \$150,000 and a premium cost of \$996.00. The combined face amount of the two policies total \$700,000, which is \$252,337 in excess of the amount allowed in the contract. These policies were purchased from an employee of the District, although the first policy was in place prior to the individual becoming an employee.

We recommend that the contract be reviewed and any amounts that were paid to the superintendent in error be refunded to the District. We understand that a request to cancel the second policy noted above has been made; however, the face amount of the first policy is still in excess of the amount allowed. The contract should be amended or the excess premium should be refunded to the District.

Management's Response:

The board gave the superintendent a raise of \$10,000 instead of 2%; however, the action was omitted from the minutes. At a special called meeting on October 31, 2013, the board voted to ratify the previous action, reflecting that the superintendent's salary for 2012-13 was correctly paid as \$156,295. Based on that salary, the life insurance coverage should be \$468,885. When we prorate the excess amount on the \$550,000 policy, the premium cost for the excess portion was \$365. This amount plus the \$996 paid for the \$150,000 policy equals \$1,361 and will be reimbursed to the District. We have requested cancellation of the \$150,000 policy. When it is time to renew the \$550,000 policy, the coverage will be adjusted to \$465,000 so as to be in compliance. When this policy expires at the first of the year, we will change insurance companies so there will not be a question as to ethics or best practices.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONTINUED)**

June 30, 2013

CURRENT YEAR COMMENTS (Continued)

Central Office (Continued)

Travel Related Disbursements:

In a random sample of disbursements, we noted two checks made payable to credit cards. Several charges on the cards were for meals and other travel related expenditures, such as airline tickets or hotel reservations. The travel policy states that "provided the superintendent/designee has given prior approval to incur the expense, the Board shall reimburse school personnel for school-related travel". The travel voucher has a signature line to indicate prior approval for the travel and should be completed.

We also noted that many of the meal receipts included on one statement were not detailed receipts; therefore, we could not ascertain how many people were served meals. Detailed receipts should be attached to the travel voucher whether meals are charged to the credit card or are to be reimbursed to the employee.

Management's Response:

Most of these expenses were done over the phone or online for hotels, registration, and airline tickets. We were amiss in not filling out the travel voucher and getting prior approval plus obtaining detailed receipts. The travel policy has now been changed and we will follow the outlined requirements so as to be in compliance.

School Food Service

A state review of the summer food service program found three corrective actions that were needed. One was to correct the portion served, one was to request a change in meal times from the sponsor as well as a revised application to request same, and one was to have more supervision in the dining area. These items were reported to the food service director and corrective action was required.

Also, we tested the after school snack count forms for the month of January. Many of the numbers were changed and it appears that the grand total omitted 97 meals from one day, meaning the reimbursement amount was less than it should have been based on actual snacks served. We recommend that a better count system be developed and that the totals be checked for accuracy prior to submission for reimbursement.

We also noted the purchase of 2,000 pounds of blueberries at \$4 per pound for a total of \$8,000. In the file, we noted that the food service director had priced similar products from another source at \$3.533 and \$2.795 per pound. When a price is paid that is higher than other quotes received, justification for paying the higher price should be noted in the file. No such reason was documented.

Management's Response:

The corrective actions were submitted to KDE by the July 24th deadline. Corrective actions were implemented within the time frame and KDE closed the review on September 4th.

The after school snack program has a separate production record and daily count that is logged by the cafeteria manager. The counts are then recalculated twice for accuracy by the food service director and food service secretary.

We purchased flash frozen, Kentucky grown blueberries in bulk for the school year, as we knew the price would increase throughout the year. We took the nutritional value into consideration more than the financial impact. In the future, the cost comparison of quotes will be more closely evaluated.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONTINUED)**

June 30, 2013

CURRENT YEAR COMMENTS (Continued)

School Activity Funds – Mayfield Elementary School

Cash Receipt Procedures:

In a random sample of cash receipt tickets, we noted that one ticket number selected to test was not on the sequential list of receipts. Two of the three parts of the receipt were in the monthly folder and were marked “void”, while the third part was not in the folder. After asking about this item, it was noted that since there was not a deposit made for that day, the receipt was voided and the amount was included in the receipt ticket made the following day along with receipts from other sources. We also noted four other cash receipt tickets that included funds from multiple sources. We also noted one multiple receipt form that was completed by one person instead of being signed by each person who submitted money. The new “Red Book” has clarified procedures to be followed beginning with the 2013-14 school year, which includes preparing a multiple receipt form for funds received in the mail and keeping copies of checks received to better document deposits. We recommend that the new procedures be reviewed and followed for the coming year.

Management’s Response:

We are now preparing multiple receipt forms for any checks received in the mail or in person. We are also making copies of any checks received and deposited. Multiple receipt forms will be signed by the person submitting the money.

Purchasing Procedures:

Based on a random sample of disbursements, it appears that purchase orders are not being completed until the check is written, which is typically after the invoice date. Purchasing procedures in both the previous and new Red Book require a purchase order to be prepared and approved by the sponsor and principal before the payment is obligated. We recommend that the purchase order be completed in accordance with Red Book procedures.

Management’s Response:

We will make sure that each purchase order is prepared and approved by the sponsor and principal before the payment is obligated.

Cash Disbursements Procedures:

The documentation for one disbursement was a multiple receipt form with the names of 43 students, stating that each student received \$2; however the check was only for \$70. Another check was written to a parent to reimburse a fee that was paid for a lost book that was later found. This disbursement was not supported by a standard invoice or any other documentation. We recommend that each disbursement be supported by documentation that corresponds to the amount paid.

Management’s Response:

Regarding the first check mentioned, some names had been omitted from the honor roll list when the check was prepared. We used money out of petty cash to make up the difference. This will not be done again. The second check was written from a receipt from the library to the bookkeeper stating who the reimbursement should be made to. We will use a standard invoice for such items in the future.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONTINUED)**

June 30, 2013

CURRENT YEAR COMMENTS (Continued)

School Activity Funds – Mayfield Middle School

Cash Receipts Procedures:

In a random sample of cash receipt tickets, we noted that all three parts of three tickets were in the file, indicating that the person submitting the funds was not given a receipt. Also, no supporting documentation was attached to these tickets. Both the previous and the new Red Book state that a pre-numbered receipt shall be issued to the payer. Documentation that we recommend to be retained for these types of receipts include candy sales worksheets, dance ticket sales forms, or multiple receipt forms.

Management's Response:

In reviewing these receipt tickets, we noted that two were for amounts received from the vice-principal, who did not want his copy of the receipt. Since he did not take his copy, the treasurer retained all parts of the ticket. We will attempt to give the third portion of the ticket to each person remitting the funds and will use multiple receipt forms when required.

Inventory Control Procedures:

The concession stand is worked by members of various clubs. Documentation submitted by each club includes a sheet that lists each product, how many of each was sold, an extended price by item and a total. In our sample of cash receipts, we noted that the amount listed as sales on the sheet documenting one ticket was \$71 more than the amount deposited, with only \$28 of the shortage explained as items given to student workers, with the remaining difference being 14% of sales. The amount of sales on the sheet documenting a second ticket was \$64.40 more than the amount deposited, with the explanation for the shortage being the vending machine in the teachers' lounge was broken and teachers were buying drinks for \$1.00 from the concession stand instead of \$1.50 charged to students. This difference was 18% of sales. The deposit for a third ticket was \$50.15 more than the sheet that documented the sales for that day, with no explanation of the overage, which was 21% of sales. The preferred method of accounting for concession sales is by using an inventory control worksheet, which provides a more accurate method of determining amounts over and short.

While an annual inventory control worksheet was used for the pencil machine, the sheet only listed deliveries and collections, with no inventory count at either the beginning of the year or the end of the year. A note on the sheet stated that the person completing the sheet did not have a key to the machine in order to count the pencils. The person who has the key to the machine should count the pencils and complete that section of the worksheet, while the treasurer can complete the remainder of the sheet.

Management's Response:

This was the first year for the after-school concession stand and different staff members would have students work. All money given to the school treasurer was deposited. We had a problem with drinks from the machine disappearing on the weekends. This was finally taken care of when the cameras were put up and locks were put on the coolers where the drinks were stored. We believe we have better control over the concession stand items and will better track inventory in the future.

The pencil machine was empty at the end of the year, but this was not noted on the inventory sheet. We will include the inventory count on the sheet in the future.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONTINUED)**
June 30, 2013

CURRENT YEAR COMMENTS (Continued)

School Activity Funds – Mayfield Middle School (Continued)

Fundraiser Procedures:

One cash receipt ticket for \$2,865 was from the sale of chickens that were donated. No supporting documentation was retained to show how many chickens were donated, how many were sold, and the price they were sold for; therefore, we could not determine if the amount deposited was reasonable. A fundraiser worksheet should be used for such items.

Management's Response:

A local company generally donates 250 chickens and they are sold for \$10 each. Some people also make donations along with purchasing the chickens or will pay for a chicken, then donate it back to be sold to someone else since they can't pick it up when it is ready. The proper documentation will be prepared for such items in the future.

Purchasing Procedures:

The school has two different credit cards, but only uses one sign-out sheet. Although there is a place on the sheet to write which card number is being checked out, the number was not on the sheet. We noted some purchases that were made on days that were not listed on the sign out sheet. All portions of the sign out sheet should be completed so that it can be determined who made the purchase.

Management's Response:

The school has a credit account with Wal-Mart and we have two cards for that one account. Sometimes these cards will be kept by an individual over the weekend or for several days until the purchase can be made. Every effort will be made to ensure that the sign-out sheet is correctly completed.

Cash Disbursement Procedures:

Reimbursements to two individuals for meals and online purchases were not signed by the payee. Two standard invoices tested were not signed by the sponsor. Signatures should be obtained to indicate approval by the sponsor and the principal. When reimbursing an individual, a standard invoice should be used, with the receipt for the item attached. The payee should sign to verify that they paid for the purchases personally and did not charge them to a school credit card.

Management's Response:

Standard invoices will be used in these instances in the future and will be properly signed by all required parties.

School Activity Funds – Mayfield High School

Interfund Transfer Procedures:

We noted five transfer forms from the athletic fund to various other funds that were not signed by the athletic director to indicate approval. These were to transfer funds that were received from an organization that conducted Bingo games to the clubs based on the number of nights that club members assisted at the games. We suggested that the athletic director prepare one sheet to show the allocation to each club and sign it in place of signing several transfer forms. That sheet could then be attached to the transfer forms to indicate approval.

Management's Response:

The athletic director will complete the transfer form and will sign it to indicate approval.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONTINUED)**
June 30, 2013

CURRENT YEAR COMMENTS (Continued)

School Activity Funds – Mayfield High School (Continued)

Purchasing Procedures:

In a random sample of disbursements, we noted that the purchase orders for three checks were dated after the invoice date. Purchasing procedures in both the previous and new Red Book require a purchase order be prepared and approved by the sponsor and principal before the payment is obligated.

Management's Response:

We will use purchase orders prior to obligating a payment in the future.

Cash Disbursements Procedures:

We noted one standard invoice for a disbursement that was not signed by the sponsor to indicate approval. We noted another disbursement that should have been documented by a standard invoice, but was not. Standard invoices should be used for all items for which a vendor's invoice is not available and should be signed to indicate approval.

Management's Response:

These were overlooked and we will be more careful in the future.

Fundraiser Procedures:

We again recommend the use of the fundraiser worksheet to enable the bookkeeper and sponsors to better determine that all amounts have been collected and deposited. The worksheet has a section for potential collection based on the orders placed with the fundraising company and a section for actual collections. Although the fundraisers we tested appeared to have reasonable amounts collected, the worksheet would provide a better tool for control purposes, as well as for audit purposes.

Management's Response:

We will keep a better check on the fundraisers this next year and will properly complete the forms.

Ticket Sales Procedures:

In a test of ticket sales, we noted that the F-SA-1 forms tested were not signed by either the person in charge of sales or the ticket taker. The person in charge of sales should sign to acknowledge receipt of the ticket rolls and change. When the form is completed and the cash has been counted, both the person in charge of sales and the ticket taker should sign the form to indicate that the dollar amount and ticket numbers listed are accurate.

Management's Response:

The forms have not been sent to the ticket takers. They have always signed another form that is attached to the F-SA-1 form to indicate how much money was collected. The correct procedures have been started during the 13-14 school year.